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## **COUNTY OF SAN BERNARDINO**

The Board of Supervisors adopted the County of San Bernardino's 2006-07 Final Budget on August 22, 2006. This budget covers the period from July 1, 2006 – June 30, 2007. Each department is responsible for operating within their budget and has the authority to spend up to the approved budget amount.

The County of San Bernardino's 2006-07 Final Budget consisting of the general fund, restricted financing funds, capital project funds, special revenue funds, and enterprise funds has a total appropriation of \$3.3 billion.

When developing their individual budgets, each department considers the following mission, vision, and value statements of the County of San Bernardino:

### **Mission Statement**

The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the health, safety, well being, and quality of life of its residents according to the County Charter, general laws, and the will of the people it serves.

### **Vision Statement**

Our vision is to create a safe, clean, and healthy environment that appeals to families and individuals, and attracts the best in business and industry. We will create, support, and enhance vibrant communities that emphasize beauty, culture, art, recreation, education, and a sense of history.

### **VALUES Statement**

To achieve our Vision, we dedicate ourselves to these values:

- **Valuing** our workforce by providing recognition, training and education, opportunities for customer service and career development, a safe and healthy work environment and fair compensation.
- **Appreciation** and promotion of the diverse cultures that comprise our workforce and the communities we serve.
- **Leadership** by coordinating regional planning through collaboration with local communities and businesses.
- **Unquestioned integrity** that embraces a culture of honor and trustworthiness.
- **Excellence** in the development of efficient and cost-effective strategies to improve customer service in an atmosphere that allows and encourages new ideas.
- **Service** of the highest quality to our customers delivered with dignity and respect.



## Economic Indicators

San Bernardino County is part of an Inland Empire economy that is one of the strongest in the U.S. In 2005, the area added 56,658 jobs (*up 4.8%*) or 22% of those created in California. In first quarter 2006, the U.S. Bureau of Labor Statistics put the region's growth at 58,900 jobs (*up 5.0%*), indicating that this strength is continuing. In 2005, San Bernardino County's retail sales totaled \$29.6 billion, up 12.8%. That was double the 6.3% growth in the state. The county's per capita sales of \$15,172, compared to the state's average of \$14,386. The high retail sales levels are, in part, the result of the region's low living costs for a Southern California area. The median family income in 2006 is \$57,000, putting it above Los Angeles County (\$56,200) but below Orange County (\$76,300). However, after one year's amortization on the mortgage for the median home, the disposable income remaining in the Inland Empire is \$30,688 versus \$29,964 in Orange County and \$19,420 in Los Angeles County.

Finally, San Bernardino County's assessed valuation is soaring, up 17.9% for fiscal year 2007 or \$22.6 billion. This was the largest growth rate and absolute increase in the county's history. While home construction is slowing, other real estate sectors are not. Commercial developers are well behind meeting the needs of past population growth. Office operations are now migrating inland to meet the demands of the area's 4.0 million people. Industrial development in the county is expanding in concert with the need for facilities to handle the rising volumes of imports through Southern California's ports.

## State of California's Budget

The 2006 Budget Act signed by Governor Schwarzenegger fulfills the two principal budget priorities he put forth in his May Revision – improving the state's fiscal health by: (1) paying down debt and building a reserve; and (2) fully funding education – while also providing critical funding for law enforcement, disaster preparation and services for abused and neglected children.

The Budget sets aside an unprecedented amount to address the state's debt – a combined total of more than \$4.9 billion, or 4.7 percent of total General Fund resources available, by establishing a budget reserve of \$2.1 billion and early debt repayments of \$2.8 billion.

At the same time, the Budget provides a record level of funding for the state's K-12 schools and community colleges, fully funding the Proposition 98 guarantee. The Budget provides \$55.1 billion in education spending under Proposition 98, an increase of 8.1 billion, or 17 percent compared to the 2004 Budget Act.

The Budget also provides significant new resources to protect the public: \$256 million to improve services to abused and neglected children; \$214 million to improve the capacity of hospitals to handle disaster and epidemic related surges in demand for hospital care; \$198 million for law enforcement initiatives, including funding to help police departments cover the costs of booking fees, enhancements to law enforcement subventions, funding for methamphetamine eradication, funding for sexual assault felony enforcement grants to local governments, and grants to help county sheriffs and probation officers manage mentally ill offenders.

In addition, the Budget makes a substantial investment in improving California's transportation system. It provides \$1.4 billion to fully fund Proposition 42 for the second consecutive year, and it provides an additional \$1.4 billion for the early repayment of past loans from Proposition 42, for a total of \$2.8 billion. Of the \$1.4 billion repayment, \$446 million is designated for cities and counties for local road and street maintenance that would otherwise not be funded. Finally, the Budget provides \$250 million for deferred maintenance in the state park system.

Source: The California Department of Finance

## State Impact on the County's Adopted Budget

### **Transfer of Fees**

The 2006-07 Budget Act requires counties to transfer revenues from certain court imposed fees, fines, and forfeitures to the local trial court that would otherwise have gone to the counties. The county's historical contribution of \$28,390,295 was made up of two components. The expenditure component of \$20,227,102 represented the adjusted 1994-95 county expenses for court operations and the revenue component of \$8,163,193 was based on the fine and forfeiture revenue sent to the state in 1994-95. The revenue component has been reduced to \$3,325,704 in 2006-07, and therefore, the county's current contribution is \$23,552,806.

### **Property Tax Administration Grant**

The 2006-07 Budget Act suspends for one more year the \$60 million that the State has budgeted since 1995-96 for the State Property Tax Administration Grant Program that has assisted counties in maintaining timely property assessments. The County's revenue loss totals \$2.1 million.

### **Senate Bill 90**

The passage of Senate Bill 90, the Property Tax Relief Act of 1972, provided that counties receive reimbursement by filing claims to the state for the actual costs incurred for implementing certain state-mandated programs. As part of the 2006-07 Budget Act, the state appropriated \$169.9 million, with instructions to the State Controller's Office to pay deferred and newly determined mandates. This represents an increase in payments from one to two years of the fifteen years of installment obligations owed to local agencies. The County is estimated to receive \$6.5 million in claims in 2006-07.

### **Transportation**

Of the \$2.8 billion provided by the 2006-07 Budget Act to improve California's transportation system, \$11.0 million has been designated to San Bernardino County. The County will use these funds to finance a number of projects including the following:

- Rehabilitation of Redwood Avenue – Fontana area.
- Drainage improvements to Nice Avenue – Mentone.
- Rehabilitation of Crafton Avenue – Mentone.
- Rehabilitation of State Street – Muscoy.
- Rehabilitation of Tamarind Avenue – Fontana area.
- Rehabilitation of Phelan Road – Phelan.
- Drainage improvements to El Mirage Road – Adelanto area.
- Curb and gutter repair – Silver Lakes.
- Retaining wall replacement/retrofit – Lake Arrowhead area



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## Financial Planning Calendar

### **Ongoing**

The Board of Supervisors provides ongoing policy direction to the County Administrative Officer.

### **August through November**

**Business Plans** – Department-wide Business Plans are developed and serve as a guideline to lead the County in preparing the budget. The Business Plan is a comprehensive and systematic management tool designed to help each department assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the department's mission, and achieve consensus on goals and objectives for achieving that mission. The Business Plan supports the annual budget plan by illustrating how a department's budget and available resources can be tied to goals and objectives, and is used to track, monitor, and evaluate departmental progress by establishing timelines and milestones, and comparing projections to actual accomplishments.

**Capital Improvement Plan** – Departments submit annual capital improvement requests for improvements to land or structures that exceed \$5,000. These requests include a project description and justification, financial impact, and funding source. The requests are evaluated and prioritized by the County Administrative Office and presented to the Board of Supervisors for comment during budget workshops. In addition, departments periodically provide a five-year plan that is updated to re-evaluate priorities based on changing circumstances, staffing levels, and available funding.

### **December through February**

**Five-year Financial Plan** – The County Administrative Office develops a five-year forecast of financial operations for general fund programs, projecting major revenues and expenditures, based on current service levels and expected future changes to those programs or service levels. The analysis includes the identification of trends, significant impacts, and recommendations, which are reported to the Board of Supervisors.

**Budget Prep System** – The in-house budget system is updated for changes in the various Memorandums of Understanding between the County and the various employee representation units. Additionally, internal training is conducted for all users of the system and the system is opened up for departmental input into preparation of the budget submittal.

### **March and April**

**Business Plan Workshop** – Department Heads, County Administrative staff, and the Board of Supervisors meet to discuss and review the Business Plans. These plans include departmental requests for policy items for which the Board of Supervisors provides input and direction to staff.

**Financial Plan** – The upcoming budget year financing plan is developed based on revenue projections and estimates for cost increases of on-going costs. This plan includes the allocation of general fund financing (local cost) and provides estimates from remaining funding available to meet unmet needs of the County.

**Preparation of Proposed Budget** – Departments develop their respective proposed budgets and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors. General fund departments must budget within their respective local cost allocations given to them based on the financing plan.

**Fee Development** – Departments develop their respective budget unit(s) proposed fee changes and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors.



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**May and June**

Submission of Proposed Budget – The Proposed Budget Book is finalized and presented to the Board of Supervisors. The County Administrative Office publishes notices and schedules public hearings to discuss the proposed budget.

Budget Workshop – Department Heads, County Administrative staff, and the Board of Supervisors meet to discuss and review the proposed budget. The Board provides input and direction to staff regarding programs, staffing, funding, and fees.

Budget and Fee Hearing – The Board of Supervisors conducts public hearings on the Proposed Budget and the Proposed Fee changes. At this time, the Board may modify the Proposed Budget.

**August**

Adoption of Final Budget – All Board approved changes are incorporated into the Final Budget.



Calendar for the 2006-07 Budget

August 22, 2005	Business Plan Instructions to Departments
October 28, 2005	Capital Improvement Program – Request for Budget Submittals to Departments
November 10, 2005	Departments Submit Business Plans to the Budget Office
November 30, 2005	Departments Submit Capital Improvement Program – Request for Budget Submittals to Budget Office
February 16, 2006	Budget Preparation System opened for Departmental Input
February 27, 2006	Budget Preparation System Training for Departments
March 9, 2006	Budget and Fee Instructions to Departments
March 21, 2006	Board of Supervisors Approval of Targets/Financial Plan and Strategic Objectives
March 24, 2006	Departments Submit Budget Workbooks and Fee Changes to the Budget Office
April 24-25 & May 1-2, 2006	2006-07 Business Plan Workshop
May 8, 2006	Proposed Budget Delivered to the Board of Supervisors
May 31 & June 5, 2006	2006-07 Budget Workshop
June 6, 2006	Budget and Fee Hearing
June 27, 2006	Adoption of 2006-07 Proposed Budget
August 22, 2006	Adoption of 2006-07 Final Budget
November 2006	Final Budget Book Printed



## Business Plan

This year, the Board of Supervisors received the County's first Business Plan, distributed in March 2006. This plan document is the new starting point for San Bernardino County's budget process and it is intended to support the annual budget plan by tying the budget to the department's goals and objectives.

Business Plan Workshops were held April 24<sup>th</sup>, 25<sup>th</sup>, May 1<sup>st</sup> and May 2<sup>nd</sup>, 2006. These workshops provided the Board of Supervisors the opportunity to review departmental goals and objectives. Additionally, this was the first occasion for departments to explain how they utilize their allocated resources in terms of meeting projected goals and objectives and what additional resources would be needed for new projects not yet funded.

## General Fund Budget Process

The County Administrative Office has the responsibility of developing the county financing plan for all general fund departments. This plan begins with reviewing the two restricted financing sources, Prop. 172 and Realignment. Prop. 172 assists in financing the Sheriff, District Attorney, and Probation departments. Realignment assists in financing the general fund departments of Human Services, Behavioral Health, and Public Health for mental health, social services, and health programs. If these financing sources are not sufficient to pay for those departments' costs, then the general fund sources are considered.

The 2006-07 revised financing plan included a total of \$524.6 million in ongoing discretionary revenue for the general fund. This revenue is comprised of property taxes, interest on the county investment pool, sales tax, and other taxes. The financing plan initially allocates increases in these discretionary revenues to fund increases in mandatory costs such as previously negotiated salary increases, previous year's Board approved costs, and other mandated costs. After the mandatory costs are financed, the remaining unallocated discretionary revenue is presented to the Board of Supervisors during the budget workshop for allocation.

Budget workshops were held on May 31 and June 5, 2006, to discuss each department's proposed budget. Each department submitted a proposed budget based on the general fund financing amount allocated to them in the financing plan and their own departmental revenues. At that time, departments also requested fee adjustments and/or policy items, which included funding requests for those workload and program changes that were unable to be financed in their proposed budget.

A Budget and Fee Hearing was held on June 6, 2006. The Budget and Fee Hearing is designed to take public testimony related to the budget and to provide direction to staff for changes or additions to the budget. At the Hearing, staff was directed to return to the Board on June 27, 2006, for adoption of the Proposed Budget and return in August for adoption of the Final Budget.

On June 27, 2006, the Board of Supervisors approved the County's Proposed Budget which included the County Administrative Office's recommended changes to financing and recommended changes to reserves, the Sheriff's Prop 172 program proposal, and the vast majority of recommended policy items.

The Final Budget was formally adopted on August 22, 2006. At that time, additional County Administrative Office recommendations and budget adjustments related to State Budget Impacts were also approved.

When the budget was adopted on August 22, 2006, the unrestricted financing available totaled \$1.8 million. The breakdown of the unrestricted financing into categories of ongoing and one-time was \$0.9 million and \$0.9 million, respectively. In addition, the Board of Supervisors directed that any fund balance adjustment in the general fund would be made to the appropriation for contingencies. No money can be spent from contingencies without obtaining Board of Supervisors approval.



### Other Funds Budget Process

In addition to the general fund, the County of San Bernardino has restricted financing funds, capital project funds, special revenue funds, enterprise funds, and internal service funds. All of these funds are restricted to the revenue sources they receive. Each department having these types of funds is responsible for developing its budget based on the revenue resources available to them. These resources include projected revenue to be collected in 2006-07 and any revenue not spent and carried forward from prior years (for example, fund balance for special revenue funds). These budgets were also discussed during the budget workshop and Budget and Fee Hearing. In addition, the Board of Supervisors gave approval to make necessary fund balance adjustments to these funds to agree to the Auditor/Controller-Recorder's actual fund balance.

### Amending the Adopted Budget

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level within budget units for the County. Any increases in appropriation in a budget unit after adoption of the final budget require an item to be placed on the agenda of the Board of Supervisors and a four-fifths vote is necessary for approval.

Transfers of appropriation between appropriation units within the same budget unit are authorized by the County Administrative Office with the following exceptions:

- Transfers out of the Salary and Benefit and Fixed Asset appropriation.
- Transfers in of the Fixed Asset appropriation in excess of \$10,000.

The above two exceptions regarding transfers of appropriation also require an item be placed on the agenda of the Board of Supervisors.

